

FIRST UNION RAIL

One O'Hare Centre
6250 River Road, Suite 5000
Rosemont, IL 60018

Tel 847 318-7575
Fax 847 318-7588

Mr. Vernon E. Williams
Surface Transportation Board
1925 K Street, N.W., Room 704
Washington, DC 20423-0001
Attn: Recordation of Railroad Equipment

Re: Memorandum of Lease Agreement

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are three (3) originals of a Memorandum of Lease Agreement, dated March 31, 2004, a secondary document as defined in the Board's Rules for the Recordation of Documents. The enclosed document relates to the Lease Agreement which was duly filed with the Commission under Recordation Number 24263. The names and addresses of the parties to the enclosed document are:

Owner: ATEL Leasing Corporation
600 California Street, 6th Floor
San Francisco, California 94108

Lessee: Tennessee Valley Authority
1101 Market Street
Chattanooga, TN 37402

Lessor/Manager: First Union Rail Corporation
One O'Hare Centre
6250 River Road, Suite 5000
Rosemont, IL 60018

A description of the railroad equipment covered by the enclosed document is seventy (70) 3800 cu. ft. coal steel cars, with AFCX marks (see Exhibit A for car numbers).

A short summary of the document to appear in the index follows: Memorandum of Lease

Also enclosed is a check in the amount of \$30.00 payable to the order of the Surface Transportation Board covering the required recordation fee. Kindly return one (1) stamped original of the enclosed document to the undersigned along with the additional copies.

If you have any questions regarding the above-referenced matter, please contact me at (847) 384-5387. Thank you for your cooperation in this matter.

Very truly yours,


Georgia Freiburger
Manager of Documentation

Enclosures
(TVAU003)

RECORDATION NO. 24263-B FILED

APR 14 '04

10-02 AM

SURFACE TRANSPORTATION BOARD

VIA UPS 2nd DAY AIR

April 9, 2004



ASSGN. NO.: TVAU003

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (the "Memorandum") is made and entered into as of this 31st day of March, 2004, by and between First Union Rail Corporation ("Lessor"), a North Carolina corporation, acting in its capacity of agent for ATEL Leasing Corporation, as trustee, for the benefit of ATEL Capital Equipment Fund VII, L.P., ("Owner") under a Railcar Management Agreement dated as of April 1, 2002, as amended, and Tennessee Valley Authority ("Lessee"), a Tennessee corporation.

W I T N E S S E T H:

The undersigned Lessor and Lessee have entered into that certain Lease Agreement (the "Lease"), dated as of December 12, 2002, whereby Lessor has agreed to lease to Lessee certain railcars pursuant to Rider No. 2 to the Lease Agreement (the "Rider"), as more particularly described on Exhibit A attached hereto, effective as of December 6, 2003, and subject to the terms, conditions and provisions of the above-described Lease Agreement and Rider. The Rider, as it incorporates the terms and conditions of the Lease Agreement, is a separate and independent lease, (the "Lease").

IN WITNESS WHEREOF, the parties hereto have each caused this Memorandum to be duly executed under seal by their respective officers duly authorized as of the date and year first above written.

LESSOR:

FIRST UNION RAIL CORPORATION,
as AGENT for ATEL LEASING CORPORATION,

as Trustee
By: Richard F. Seymore

Name: RICHARD F. SEYMORE
Vice President Sales & Marketing

Title: _____

LESSEE:

TENNESSEE VALLEY AUTHORITY

By: Lora M. Dawson

Name: LORA M. DAWSON

Title: TRANSPORTATION SPECIALIST

RECORDATION NO. 272636 FILED

APR 14 '04

10-02 PM

SURFACE TRANSPORTATION BOARD

[CORPORATE SEAL]

STATE OF ILLINOIS

COUNTY OF COOK

I, K.A. Dombrowski, a Notary Public of the County and State aforesaid, certify that RICHARD F. SEYMOUR personally appeared before me this day and acknowledged his/her due execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this 31st day of March, 2004.

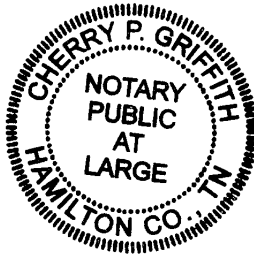
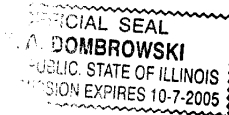
K.A. Dombrowski

Notary Public

Commission Expires:

10-7-2005

(Notary Public)



[CORPORATE SEAL]

STATE OF Tennessee

COUNTY OF Hamilton

I, Cherry P. Griffith, a Notary Public of the County and State aforesaid, certify that Lora M. Dackon personally appeared before me this day and acknowledged his/her due execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this 22nd day of March, 2004.

Cherry P. Griffith

Notary Public

Commission Expires:

October 17, 2007

(Notary Public)

EXHIBIT A
to
MEMORANDUM OF LEASE

NUMBER OF CARS: Seventy (70)

DESCRIPTION OF CARS: 1980 Ortner built, 100-ton, 3800 cfc, 5-pocket rapid discharge coal steel cars equipped with electric pneumatic gates, 263 grl. (K340)

CAR NUMBERS: See attached Exhibit A.

AFCX 924201	AFCX 924225	AFCX 924249
AFCX 924202	AFCX 924226	AFCX 924250
AFCX 924203	AFCX 924227	AFCX 924251
AFCX 924204	AFCX 924228	AFCX 924252
AFCX 924205	AFCX 924229	AFCX 924253
AFCX 924206	AFCX 924230	AFCX 924254
AFCX 924207	AFCX 924231	AFCX 924255
AFCX 924208	AFCX 924232	AFCX 924256
AFCX 924209	AFCX 924233	AFCX 924257
AFCX 924210	AFCX 924234	AFCX 924258
AFCX 924211	AFCX 924235	AFCX 924259
AFCX 924212	AFCX 924236	AFCX 924260
AFCX 924213	AFCX 924237	AFCX 924261
AFCX 924214	AFCX 924238	AFCX 924262
AFCX 924215	AFCX 924239	AFCX 924263
AFCX 924216	AFCX 924240	AFCX 924264
AFCX 924217	AFCX 924241	AFCX 924265
AFCX 924218	AFCX 924242	AFCX 924266
AFCX 924219	AFCX 924243	AFCX 924267
AFCX 924220	AFCX 924244	AFCX 924268
AFCX 924221	AFCX 924245	AFCX 924269
AFCX 924222	AFCX 924246	AFCX 924270
AFCX 924223	AFCX 924247	Count: 70
AFCX 924224	AFCX 924248	